



U.S. Department of Justice

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For Immediate Release:

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EVENT: Sentencing

Defendant: Patrick D. Quinlan

**FORMER CHAIRMAN AND CEO OF
MCA FINANCIAL CORPORATION SENTENCED
TO 10 YEARS IN PRISON**

Stephen J. Murphy, United States Attorney for the Eastern District of Michigan, Daniel D. Roberts, Special Agent in Charge of the Detroit Division of the Federal Bureau of Investigation, and Barry McLaughlin, Special Agent in Charge of the Midwest Region of the Office of Inspector General of the U.S. Department of Housing and Urban Development, announced that the former Chairman and CEO of MCA Financial Corporation was sentenced today to 10 years' imprisonment based on convictions for (1) conspiring to commit the crimes of mail fraud, wire fraud, bank fraud, and making false and fraudulent statements in a matter within the jurisdiction of the U.S. Securities and Exchange Commission and (2) making false and fraudulent statements in corporate financial reports filed with the SEC.

Receiving the sentence from U.S. District Judge Nancy G. Edmunds was Patrick D. Quinlan, Sr., 58 years old, of Grosse Pointe Farms. Judge Edmunds also ordered Mr. Quinlan to pay full restitution to the victims of his offenses — individual investors and institutional lenders — in the amount of \$256.6 million, and is allowing him to voluntarily surrender to the Federal Bureau of Prisons.

MCA, operating through two wholly owned subsidiaries based in Southfield — MCA Mortgage Corporation and Mortgage Corporation of America — was a privately held mortgage company that made conventional and subprime loans to individual homebuyers in Michigan and several other states. MCA was also a mortgage and land contract broker and servicer. In January 1999, MCA collapsed and was placed in a conservatorship by the Michigan Financial Institutions Bureau, which filed a petition for bankruptcy on behalf of MCA the following month. What remained of MCA has been liquidated and the proceeds distributed to creditors under the supervision of MCA's bankruptcy trustee.

MCA raised capital in large part by selling debt and pass-through securities to the general public. Through his guilty pleas before Judge Edmunds in February 2004, Mr. Quinlan admitted that from as early as 1993 until its seizure by state regulators in January 1999, MCA engaged in a scheme to defraud its investors and institutional lenders by misrepresenting its true financial condition through the preparation and use of false and fraudulent financial statements that were regularly filed with the SEC and made available to brokers and investors and to banks and other institutional lenders. As the result of paper transactions involving low-income housing in the City of Detroit between MCA and numerous off-book partnerships controlled by Mr. Quinlan, millions of dollars in sham assets and revenues were created and included in MCA's balance sheets and statements of income.

Mr. Quinlan also admitted that MCA fraudulently sold, through a regional network of broker-dealers, certain pass-through securities representing interests in mortgages and land contracts originally owned, and then assembled into investment pools, by MCA. MCA misrepresented to current and prospective investors the actual past performance of the pools; included in some of the pools certain mortgage and land contract interests whose values were fraudulently inflated; and misappropriated, liquidated, and used for its own corporate purposes some of the genuine pool assets. The growing liability to MCA's poolholders caused by this criminal conduct reached tens of millions of dollars and was not reflected, as it should have been, on MCA's balance sheets.

In addition, Mr. Quinlan admitted that as the Chief Executive Officer of MCA and one of the five members of MCA's Financial Management Committee, he participated in decisions to conduct the affairs of MCA in a fraudulent manner and helped to implement those decisions. He also admitted signing periodic reports containing MCA's fraudulent financial statements that

were filed with the SEC.

At today's sentencing hearing, Judge Edmunds found that Mr. Quinlan was "the dominant force at MCA, the architect of the fraud, and the most culpable person in the scheme to defraud."

Six other individuals have been charged as a result of the federal investigation of MCA:

- Lee P. Wells, of Grosse Pointe Shores, MCA's former President and Chief Operating Officer, pleaded guilty in July 2002 to charges of conspiracy and mail fraud and is awaiting sentencing.
- Keith D. Pietila, formerly of Ann Arbor, MCA's former Chief Financial Officer, pleaded guilty in January 2002 to charges of mail fraud and making false statements to the SEC. He was sentenced in May 2003 to 48 months' imprisonment and is currently serving his sentence.
- Alexander J. Ajemian, of Highland Township, MCA's former Controller, pleaded guilty in August 2001 to charges of mail fraud and making false statements to the SEC. He was sentenced in June 2003 to 37 months' imprisonment and, with time off for good-time, has completed serving his sentence.
- Cheryl A. Swain, of Beverly Hills, MCA's former Vice President for Marketing Syndication, pleaded guilty in November 2001 to a charge of mail fraud and is awaiting sentencing.
- Kevin C. Lasky, of Birmingham, the former head of MCA's Special Loan Group, pleaded guilty in May 2002 to a charge of wire fraud. He was sentenced in December 2003 to 24 months' imprisonment and will surrender later this year to serve his sentence.
- John P. O'Leary, of Davisburg, MCA's former Vice President for Corporate Finance, has pleaded not guilty and is scheduled to go to trial before Judge

Edmunds on September 20, 2005.

The sentences imposed on Messrs. Pietila, Ajemian, and Lasky by U.S. District Judge John Feikens took into account their cooperation with federal investigators and prosecutors.

In February 2004, following Mr. Quinlan's guilty pleas, James B. Comey, chairman of the President's Corporate Fraud Task Force and Deputy Attorney General, stated: "Today's guilty pleas demonstrate that we will climb every rung of a corporate ladder – from the Chief Financial Officer to the President to the Chairman of the Board – to root out corporate fraud. I trust that the six guilty pleas and convictions obtained against MCA executives send a very loud and clear message that honest and truthful financial reporting is the only type of reporting that will be tolerated by the Justice Department and expected by the financial marketplace."

The federal investigation has been conducted by the FBI and the U.S. Department of HUD's Office of Inspector General, with assistance from the SEC's Division of Enforcement and the Office of Financial and Insurance Services of the Michigan Department of Labor and Economic Growth. The case is being prosecuted by Assistant U.S. Attorneys Stephen Hiyama and Jennifer Gorland. A related state criminal prosecution in Oakland County Circuit Court was handled by the Michigan Attorney General's Office.